

MARKET OVERVIEW

► **Industrial Market:** The Sacramento industrial market fared well during the fourth quarter of 2017 as the overall vacancy rate decreased to an all-time low of 5.47%. At the close of the fourth quarter, net absorption was positive at just over 1.68 million square feet.

► **Vacancy Rates:** In comparison to the previous quarter, the vacancy rate decreased to 5.47%, which remains the lowest vacancy rate seen to-date for the Sacramento Region. The largest submarkets – Power Inn, West Sacramento and Davis/Woodland – had vacancy rates of 3.29%, 8.91% and 7.23%. Among the largest submarkets, some of the lowest vacancy rates were also seen in the Sunrise and Marysville/Yuba City submarkets with rates at 3.35% and 1.88%, respectively. Alternatively, the highest vacancy rates were seen in the South Sacramento submarket with an overall rate of 22.29%.

► **Lease Rates:** At the end of the fourth quarter, the average asking triple net lease rate for the Sacramento industrial market was \$0.41, which is a \$0.01 increase from the previous quarter. Within the two largest submarkets – Power Inn and West Sacramento – the average asking lease rates were \$0.54 and \$0.40 per square foot. Some of the highest asking lease rates were seen in the Folsom/El Dorado submarket with an average of \$0.68 per square foot. Alternatively, the lowest lease rates were seen in the Marysville/Yuba City and Davis/Woodland submarkets with average asking rates of \$0.32 and \$0.30 per square foot, respectively.

► **Sale & Lease Transactions:** Transaction activity at the close of the fourth quarter was 2.33 million square feet, which is a decrease from the previous quarter's figure of 4.33 million square feet. Given that there is often a delay for final figures to be totaled, this quarter's figure will slightly increase in the next market report.





► **Absorption:** The industrial market ended the third quarter with 1,680,592 square feet of positive net absorption. The Natomas/Nortgate submarket had the greatest positive net absorption of 1,113,271 square feet, and the Power Inn submarket had the second highest net absorption of 232,997 square feet. Alternatively, the Marysville/Yuba City submarket experienced 25,000 square feet of negative net absorption.

► **Development:** Thirteen industrial projects are currently under construction in the Sacramento market, which total just over 600,000 square feet. The largest of those projects is a 316,100 square foot Class B warehouse building in the Roseville/Rocklin submarket expected to be delivered May 2018. The second largest industrial project under construction is a 104,800 square foot Class A warehouse building in the West Sacramento submarket and expected to be delivered March 2018. Currently, there are 13.2 million square feet of proposed industrial space for the Sacramento market.

► **Fourth Quarter Review:** Overall, the Sacramento industrial market has out-paced other commercial property types with an impressively low vacancy rate and steadily increasing lease rates. Among other positive trends, net absorption has remained positive for eleven consecutive quarters. According to the most recent Sacramento employment figures, the unemployment rate in the Sacramento-Roseville-Arden Arcade MSA was 3.7% in November of 2017.

SACRAMENTO INDUSTRIAL TRENDS | FOURTH QUARTER 2017

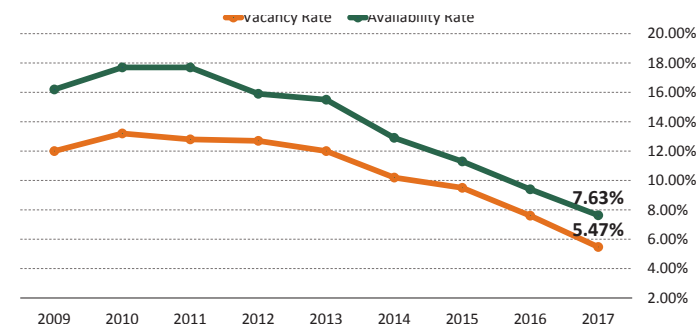
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
				
	Q ⁴ 2017	5.47%	\$0.41	1,680,592
Q ³ 2017	5.90%	\$0.40	1,414,619	4,332,908

THESE STATISTICS ENCOMPASS THE ENTIRE SURVEY, WHICH INCLUDES ALL INDUSTRIAL PROPERTY TYPES 10,000 SQUARE FEET AND LARGER.

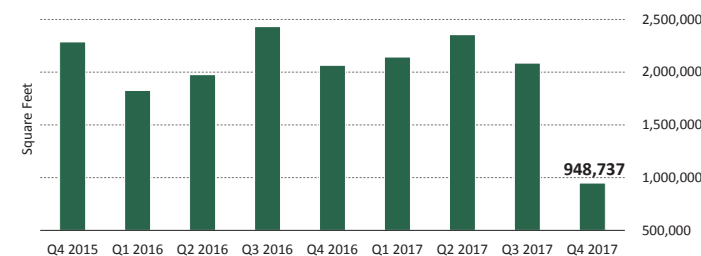
VACANCY RATE & AVAILABILITY RATE

ALL SPACE NOT CURRENTLY OCCUPIED & ALL SPACE CURRENTLY MARKETING



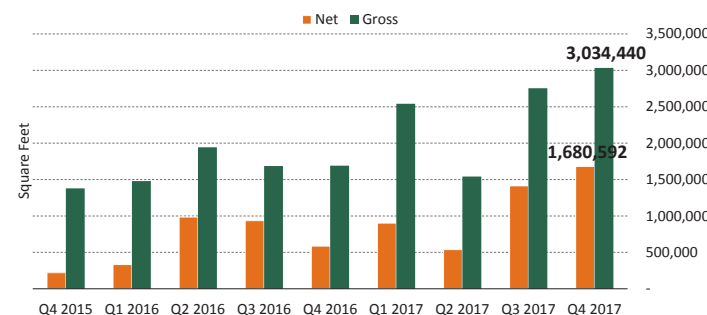
AVERAGE ASKING RATES

WEIGHTED AVERAGE RENT BASED ON TOTAL SQUARE FOOTAGE



NET & GROSS ABSORPTION

NET - TOTAL SQ. FT. OCCUPIED LESS THE SQ. FT. VACATED & GROSS - TOTAL SQ. FT. OCCUPIED



NOTEWORTHY TRANSACTIONS

LEASE TRANSACTIONS | NOTABLE INDUSTRIAL LEASES SIGNED FOR Q4 2017

Property Address	Submarket	Tenant	Owner	Date Lease Signed	Square Feet Leased
3130 Venture Drive	Roseville/Rocklin	Undisclosed	Buzz Oates	October 20, 2017	85,500
820 Riverside Pkwy	West Sacramento	Undisclosed	Deborah J Smith, Tr et al	October 11, 2017	59,900
4291 Pell Drive	Natomas/Northgate	Undisclosed	Bixby Pell, LLC	November 27, 2017	54,060
4800 Florin Perkins Rd.	Power Inn	WestRock	John Belshin & Joan Family Trust	October 2, 2017	41,200
4119 S Market Ct.	Natomas/Northgate	Undisclosed	Harsch Investment Properties	December 5, 2017	34,306

SALE TRANSACTIONS | NOTABLE INDUSTRIAL SALES FOR Q4 2017

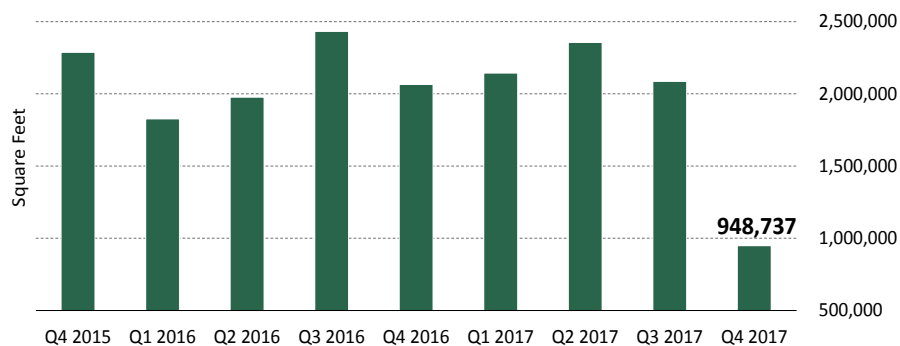
Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
9727 Business Park Drive (8 Properties)	Mather	Bradshaw 2 GPRV Partbers 17, LLC	NCWP-Bradshaw Business Park, LLC	167,200	\$13,200,000
2951 Thomas Place	West Sacramento	Thomas Place Properties, LLC	Ridge Capital, Inc.	153,830	\$12,922,000
660 N Pioneer Ave.	Davis/ Woodland	PW Fund B, LP	BH Pioneer, LLC	323,475	\$12,000,000
3979 N Freeway Blvd.	Natomas/Northgate	AMERICO Real Estate Company	North Freeway Investors, LLC	72,645	\$8,300,000
731 N Market Blvd.	Natomas/Northgate	Stockton Blvd. Partners, LLC	Nolasco 2007 Family Trust et al	77,000	\$4,478,000

MARKET SNAPSHOT

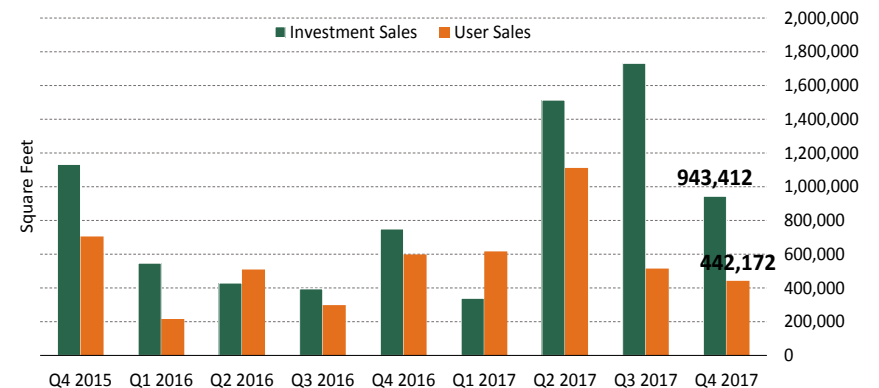
Q⁴ 2017 **Q⁴ 2016** % Change vs. Q4 2016

Vacancy Rate	5.47%	7.60%	-28.03%
Availability Rate	7.63%	9.40%	-18.83%
Avg. Asking Lease Rate	\$0.41	\$0.38	7.89%
Gross Absorption	3,034,440	2,754,801	10.15%
Net Absorption	1,680,592	586,167	(N/A)

LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER



TRI COMMERCIAL | SACRAMENTO INDUSTRIAL SUBMARKET STATISTICS

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate Q4 2017	Occupied Square Feet	Occupancy Rate Q4 2017	Available Square Feet	Availability Rate Q4 2017	Net Absorption Q4 2017	YTD Net Absorption	Gross Absorption Q4 2017	YTD Gross Absorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Auburn/Newcastle	84	2,215,881	16,434	0.74%	2,199,447	99.26%	93,344	4.21%	2,749	11,543	4,500	26,520	0	0	\$0.48
Davis/Woodland	187	16,158,490	1,168,140	7.23%	14,990,350	92.77%	1,608,306	9.95%	11,000	467,762	185,897	861,979	12,024	15,040	\$0.30
Downtown	86	2,640,421	136,656	5.18%	2,503,765	94.82%	136,656	5.18%	0	44,233	0	47,091	0	0	\$0.55
East Sacramento	23	571,117	0	0.00%	571,117	100.00%	14,750	2.58%	0	37,176	0	37,176	0	0	-
Elk Grove/Laguna	117	5,727,591	290,914	5.08%	5,436,677	94.92%	434,017	7.58%	20,448	(66,493)	55,598	212,808	0	882,265	\$0.45
Folsom/EI Dorado	104	3,081,128	141,108	4.58%	2,940,020	95.42%	193,631	6.28%	18,327	21,368	19,827	74,411	75,000	0	\$0.68
Marysville/Yuba City	146	5,907,125	111,325	1.88%	5,795,800	98.12%	350,895	5.94%	(25,000)	137,520	0	195,880	0	0	\$0.32
Mather	125	3,816,941	204,899	5.37%	3,612,042	94.63%	217,236	5.69%	21,818	161,759	44,291	267,192	51,156	89,593	\$0.48
McClellan	289	13,709,133	779,413	5.69%	12,929,720	94.31%	530,596	3.87%	86,844	940,853	180,130	1,330,774	0	52,108	\$0.42
Natomas/Northgate	202	12,521,395	183,380	1.46%	12,338,015	98.54%	562,602	4.49%	1,113,271	1,155,221	1,242,191	1,574,096	0	8,382,202	\$0.49
NE Sacramento	191	5,004,668	259,110	5.18%	4,745,558	94.82%	315,662	6.31%	3,500	17,895	26,200	104,320	0	0	\$0.63
Power Inn	565	24,578,682	808,098	3.29%	23,770,584	96.71%	1,881,212	7.65%	232,997	839,430	548,142	1,796,341	0	1,449,894	\$0.54
Richards	84	4,028,765	106,973	2.66%	3,921,792	97.34%	118,493	2.94%	0	(39,901)	0	59,595	0	0	\$0.38
Roseville/Rocklin	282	15,972,639	1,047,728	6.56%	14,924,911	93.44%	1,014,770	6.35%	74,322	880,713	128,950	1,149,730	338,600	1,239,260	\$0.36
South Sacramento	120	3,972,484	885,330	22.29%	3,087,154	77.71%	885,330	22.29%	10,247	7,208	36,800	65,614	0	600,000	\$0.67
Sunrise	333	9,704,966	324,812	3.35%	9,380,154	96.65%	485,744	5.01%	8,919	(49,207)	184,214	579,369	18,944	0	\$0.52
West Sacramento	320	17,994,519	1,603,156	8.91%	16,391,363	91.09%	2,414,349	13.42%	101,150	(32,028)	377,700	1,488,966	104,800	556,115	\$0.40
Industrial Market Totals	3,258	147,605,945	8,067,476	5.47%	139,538,469	94.53%	11,257,593	7.63%	1,680,592	4,535,052	3,034,440	9,871,862	600,524	13,266,477	\$0.41

10,000-29,999	2,006	33,284,679	863,492	2.59%	32,421,187	97.41%	1,468,470	4.41%	47,311	212,720	326,312	1,350,325	104,624	371,333	\$0.61
30,000-49,999	522	19,941,727	580,008	2.91%	19,361,719	97.09%	1,060,133	5.32%	74,613	376,981	293,884	1,225,181	0	230,740	\$0.69
50,000-99,999	438	29,222,593	1,275,624	4.37%	27,946,969	95.63%	1,978,938	6.77%	45,760	594,981	550,171	1,866,455	75,000	787,161	\$0.44
100,000-199,999	184	24,162,916	1,477,773	6.12%	22,685,143	93.88%	2,015,411	8.34%	266,073	698,657	570,078	1,603,532	104,800	2,480,752	\$0.40
200,000-299,999	60	14,324,907	548,566	3.83%	13,776,341	96.17%	484,944	3.39%	235,647	1,142,157	282,807	1,403,849	0	274,000	\$0.46
300,000 Plus	48	26,669,123	3,322,013	12.46%	23,347,110	87.54%	4,249,697	15.93%	1,011,188	1,509,556	1,011,188	2,422,520	316,100	9,122,491	\$0.32
Industrial Market Totals	3,258	147,605,945	8,067,476	5.47%	139,538,469	94.53%	11,257,593	7.63%	1,680,592	4,535,052	3,034,440	9,871,862	600,524	13,266,477	\$0.41

Average asking rates represented are triple net.

NORTHERN CALIFORNIA MAP | TRI OFFICE LOCATIONS:



MAP IS NOT TO SCALE

ABOUT TRI COMMERCIAL

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TRI CONTACT INFORMATION

San Francisco

100 Pine St., Suite 1000
San Francisco, CA 94111
Tel: (415) 268-2200 | Fax: (415) 268-2289

Oakland

1404 Franklin St., Penthouse
Oakland, CA 94607
Tel: (510) 622-8466 | Fax: (510) 336-8296

Walnut Creek

1777 Oakland Blvd., Suite 100
Walnut Creek, CA 94596
Tel: (925) 296-3300 | Fax: (925) 296-3399

Sacramento

1515 River Park Drive, Suite 200
Sacramento, CA 95815
Tel: (916) 669-4500 | Fax: (916) 669-4598

Roseville

532 Gibson Drive, Suite 200
Roseville, CA 95678
Tel: (916) 677-8000 | Fax: (916) 677-8199

Rocklin

2209 Plaza Drive, Suite 100
Rocklin, CA 95765
Tel: (916) 960-5700 | Fax: (916) 960-5799

Report Prepared By:

Bianca Cruz

bianca.cruz@tricommercial.com

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